

ANNUAL REPORT 1959



STOP & SHOP
SUPER MARKETS

MORE SALES • MORE STORES • MORE EMPLOYEES

Annual Report

STOP & SHOP INC.

FOR THE YEAR ENDED JUNE 27, 1959

Officers

Sidney R. Rabb	<i>Chairman of the Board and Treasurer</i>
Joseph Rabinovitz	<i>President</i>
Irving W. Rabb	<i>Executive Vice-President</i>
Norman S. Rabb	<i>Senior Vice-President</i>
Lloyd D. Tarlin	<i>Financial Vice-President</i>
Jacob Rabinovitz	<i>Vice-President</i>
Donald A. Gannon	<i>Vice-President</i>
Michael F. O'Connell	<i>Vice-President</i>
Max E. Bernkopf	<i>Clerk</i>
Arthur L. Sherin	<i>Assistant Clerk</i>
George P. Kane	<i>Assistant Treasurer</i>

Directors

William Applebaum	Sidney R. Rabb
Max E. Bernkopf	Jacob Rabinovitz
Norman L. Cahners	Joseph Rabinovitz
Irving W. Rabb	Arthur L. Sherin
Norman S. Rabb	Sidney L. Solomon
Lloyd D. Tarlin	

Transfer Agent

The First National Bank of Boston

Registrar of Stock

The National Shawmut Bank of Boston

Auditors

Peat, Marwick, Mitchell & Co.

General Counsel

Sherin & Lodgen, Boston

SHARES TRADED ON

Boston Stock Exchange and American Stock Exchange

General Offices
393 D Street, Boston 10, Mass.

Comparative **1959** Highlights

LAST YEAR

SALES	\$194,003,143	\$170,614,362
EARNINGS		
Before taxes on income	\$ 5,859,498	\$ 4,404,817
After taxes on income	\$ 3,247,819	\$ 2,645,937
Cash dividends paid	\$ 592,018	\$ 465,962
Cash dividends per share	\$.40	\$.40
**Stock Distribution	25%	4%
Reinvested in the business	\$ 2,655,801	\$ 2,179,975
% of net earnings to sales	1.67%	1.55%
Per share of stock now outstanding ..	\$ 2.03	\$ 1.65
Current Assets	\$18,578,858	\$13,501,420*
Current Liabilities	\$10,188,934	\$ 7,336,213*
Working Capital	\$ 8,389,924	\$ 6,165,207*
Current Ratio	1.82	1.84*
Shareholders' Equity	\$18,589,149	\$13,820,313*
Stores Opened and Acquired	21	11*
Stores Closed	5	4*
Stores in operation year end	107	91*
Employees	6,576	5,649*

Note: All figures reflect the combined operation of Stop & Shop and the Publix and Food Basket stores for both fiscal years except those marked with * which are as reported last year.

**Last year's distribution represents stock dividend. This year's distribution represents stock split of 5 shares for 4.

SIDNEY R. RABB, Chairman of the Board (left)

JOSEPH RABINOVITZ, President (right)



To the Shareholders, Employees and Friends of STOP & SHOP

We are pleased to report that, by means of progressive planning and enterprising action, your Company achieved another year of substantial growth. During these twelve months, for the fourth consecutive time we surpassed all previous records of accomplishment in sales, net income, number of stores added, number of persons employed, and in promotions given to employees.

Growth in Sales and Earnings

During the year, sales increased to \$194,003,143 from \$170,614,362 in 1958, a gain of 13.7%. Net income after taxes rose to \$3,247,819 from \$2,645,934 in the 1958 fiscal year, a gain of 22.8%. This amounts to earnings of \$2.03 per share, compared with \$1.65 last year, computed for both years on the basis of 1,602,262 shares outstanding on June 27, 1959.

The foregoing figures include, for both fiscal years, the sales and earnings of the Publix Markets acquired November 3, 1958, and the Food Basket Stores acquired May 25, 1959, according to the "Pooling of Interests" principle of accounting. These acquisitions were made by an exchange of stock. If the sales and earnings of the acquired stores are included only for the period during which we operated them, our sales gain would be 20.1% and our increase in profits 29.6%.

Our increase in sales volume and our percentage increase in net profit are direct results of our long-range planning. They are noteworthy achievements when we take into account the economic recession experienced during the year and the large sums spent for employee training, sales promotion and other expenses incidental to opening new stores.

Our profit ratio, 1.55% in 1958 — up from 1.43% in 1957 — again improved. For the 1959 fiscal year it was 1.67%. This increase was achieved

even though the level of wages and cost of services purchased was higher and payrolls larger. It is significant evidence of the substantial improvement we have been steadily making in the efficiency of our operating and merchandising techniques.

Distributions to Shareholders

On September 22, 1958, your Directors voted to split the stock of the Company on the basis of five shares for each four held. In accordance with this vote, shareholders of record November 3, 1958, received one additional share of stock for each four shares owned at that time.

During the fiscal year, four quarterly dividends of 10 cents each were paid. Since the dividend rate of 10 cents per share has been maintained following the stock distribution, the effect has been to increase a shareholder's income from dividends by 25%.

Physical Growth

Physical growth during the year also reached a new peak with the opening of ten new stores and the acquisition of eleven others — the greatest total number of supermarkets we have ever added in any one year. During the same period, we closed five outmoded stores. Three of our new stores were opened in Connecticut, four in Massachusetts, and three in Rhode Island. Of the stores acquired, the six Publix Markets are in Greater Boston, and the four Food Basket Stores are located in the Greater New Haven area in Connecticut. One additional store was acquired in Cranston, Rhode Island.

Our greatest rate of physical growth took place in Connecticut where Stop & Shop services are now available to 53% of the population, compared with 32% for the previous year. In Massachusetts we can now serve 85% of the population; in Rhode Island, where we opened our first store less than three years ago, we can presently serve 80% of

the people. It is apparent that we are making rapid progress toward becoming more and more a truly New England company, de-emphasizing our concentration solely on growth in Metropolitan Boston.

The sales attributable to the 59 stores opened or acquired during the past five years represent over 70% of our current sales volume. Measuring our physical growth for these five years in terms of the number of square feet of selling area added, the results are also impressive. New and acquired stores added 700,000 square feet and represented 70% of our total selling space.

During this five year period, our sales have increased almost 2½ times, from \$79 million to more than \$194 million. Net earnings have risen from \$802,000 to \$3,247,819 and our profit ratio from 1% to 1.67%. Moreover, the average annual sales per store opened or acquired during these five years was approximately \$2,500,000 which puts the Company up with the leaders in the nation in this respect.

Expansion of Facilities

Physical growth to meet the increasing demand for our services was not confined to new and acquired stores but was also accomplished in other respects. The expansion and remodeling of our general and executive offices at "D" Street was completed. Additional floor space, better lighting, more efficient arrangement and utilization of office space and personnel, and a vastly improved working environment for our people have thus been effected. In addition, the remodeling of the offices has a valuable public relations impact on the hundreds of business visitors to our headquarters.

In the fall we completed the installation of our new, fully-automatic bread baking equipment. The addition of this equipment makes it possible for us to increase bread production substantially and, at the same time, meet the rapidly-growing demand for our high-quality pastries.

Long-range planning for our new Food Distribution Center on the Boston-Dedham line, 10 miles from downtown Boston, began in 1948. This new building, soon to be in operation, provides over 11 acres of space on one floor for the storage, protection and distribution of dry groceries under the most up-to-date and efficient conditions.

Our two present grocery warehouses, one located on "D" Street, Boston, and the other in Norwood, will no longer be required for our own use. Favor-

able arrangements have already been made to lease them to other concerns.

Plans have been completed and construction is about to start on a fresh milk processing plant which will be located adjacent to the new facilities on our Readville land in the Boston-Dedham area.

Our People Grow With Us

As indicated, our growth on such a broad front has been the result of intensive and purposeful planning over the years — planning that is constantly being up-dated to anticipate and meet the changing needs of our business. In this vital area and the equally important one of putting plans to work successfully, the Stop & Shop organization has shown outstanding accomplishment. In this connection, we must give special credit to our entire family of people — our most important asset. An increasing number of people who are well-trained and both willing and able to accept increased responsibility as we expand, is an indispensable element of our blueprint for future accomplishment.

As our growth has accelerated, greater emphasis has been put on helping our people develop their capabilities in order that more and more of them can qualify for better positions as openings become available. Our policy is to train each individual and, wherever possible, to promote from our own ranks those whose performance warrants their advancement.

Our personnel development program, intensified by our accelerated expansion, is progressing according to plan. During the year, there were 530 promotions — the largest number in any one year in our history — and 927 new people were hired after careful screening. This brought the total number of our employees to 6,576, an increase of 16% over last year.

In a very real sense, many of our employees hold two jobs — one at Stop & Shop and one in community affairs such as the United Fund, Boy Scouts, PTA work, civic activities, and a host of other worthwhile undertakings. We are proud of this dual role played by so many of our people. On the one hand, it means helping Stop & Shop grow in importance and usefulness as a good corporate neighbor in the communities we serve. On the other hand, it helps to make the communities themselves better places in which to live.

Our present-day organizational thinking on personnel stands out in sharp contrast with policies which were commonplace in the retail food busi-

ness of years gone by. In the days before self-service and even in the early days of supermarket-marketing, operational control of a company was closely held by relatively few individuals. Decision-making and responsibility were considered to be the exclusive functions of top management. Supervisors and store personnel, including managers, were not given the degree of authority they now possess. As a result, incentive, opportunity and unity of purpose were often lacking.

At Stop & Shop today, supervisors and local store managers have greatly increased responsibility. This has been made possible through streamlining of procedures to put decision-making as close as possible to the point of action. Our organization, too, has been streamlined and decentralized into four territorial zones operating out of Boston and a separate unit with headquarters at Hartford managing and directing our operations in Connecticut and Western Massachusetts. This decentralization is an element of a continuing program to have available the management depth so necessary for sound expansion.

Real Estate Operations

For the fourth consecutive year, our real estate subsidiaries have had their busiest year. They constructed seven of the new stores opened during the year and were responsible for the work completed on the remodeled stores. Expansion and remodeling of our general offices and the planning and construction of the new food distribution center were also among the activities of our real estate subsidiaries. It is worth noting that approximately 70% of our business is now conducted on property owned by the Company.

In addition to building stores and facilities for our own use, our real estate subsidiaries will build stores for other tenants near our markets where the space is available. Our objective is to help increase our own customer traffic and reduce our store occupancy costs.

For the year beginning June 29, 1959, we are planning to accelerate our new store expansion program. Up to September of this year, we have opened three new stores and twelve others are in various stages of construction.

Financing Our Growth from Earnings

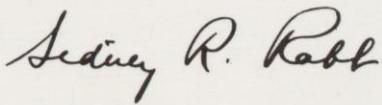
Stop & Shop expects to be able to continue to finance its expansion program from internal sources, using retained earnings and depreciation reserves.

Our plan of real estate financing enables the Company to continue to acquire and develop new store locations through our subsidiary companies. The lease of the parent company supports the financing of the project by the subsidiary, and the consolidated balance sheet liability of real estate debt is essentially the capitalization of our lease liabilities on the property we own. As each loan is paid in full, the cash flow of the consolidated companies will be increased and our occupancy cost on the paid-up properties will be substantially reduced.

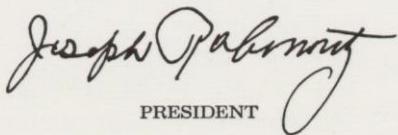
Growth in the Future

Against the background of progress made during the fiscal year 1959, supported by a long record of growth in prior years, we turn with confidence to the year ahead. Working according to plan, our stores are strategically located in areas with large concentrations of population. With predictions of further increases in population, in formation of family units and in personal income, the need for our services continues to grow at a fast pace. Meeting this need in competition with others in the retail food business calls for continuing improvement in our efficiency, in the quality and variety of our merchandise and in the development of our people.

Working together, with the unity of purpose, vigor and enthusiasm that has characterized previous progress, we look forward confidently to a continuation of our growth in sales and earnings.



CHAIRMAN OF THE BOARD



PRESIDENT

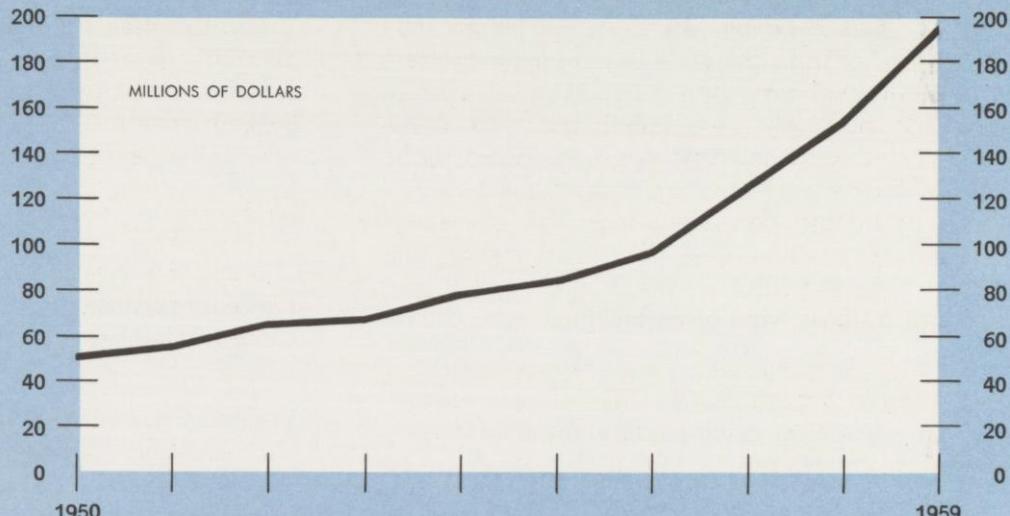
10 Year Review 1950-1959*

Our 10 year growth pattern in sales, earnings, dividends and sales per store is shown here, along with the increase in shareholders equity. Wages continued upward reflecting increases in personnel and wage increases.

*The figures for the 1959 fiscal year only reflect the operations of the Publix and the Food Basket stores for the full fiscal year.

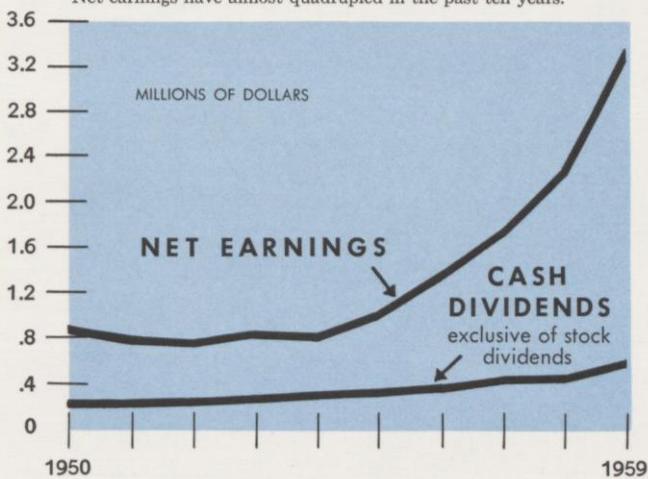
Sales

Ten years' sales results show a continuous upward climb, increasing almost fourfold since 1950.



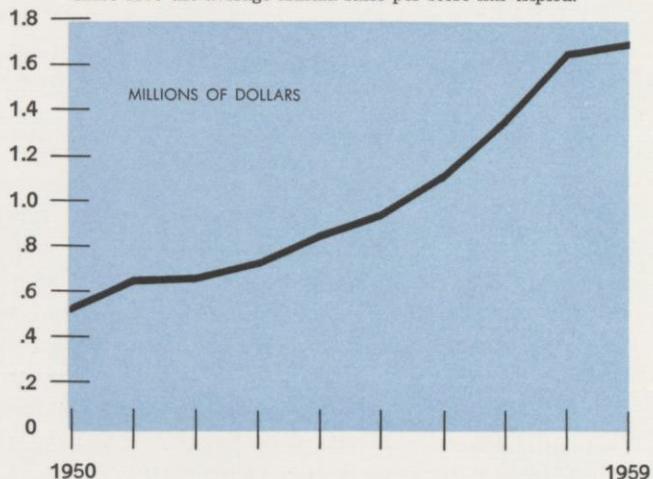
Net Earnings

Net earnings have almost quadrupled in the past ten years.



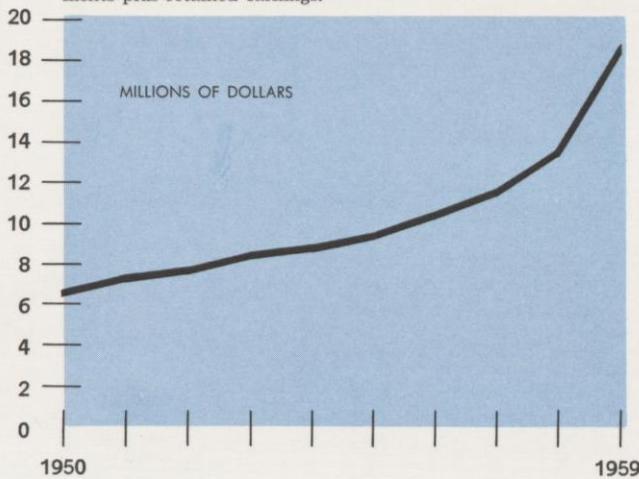
Average Sales Per Store

Since 1950 the average annual sales per store has tripled.



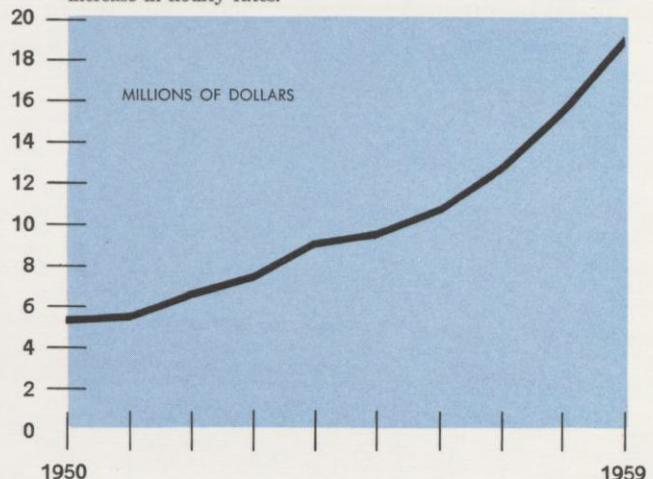
Shareholders' Equity

Shareholders' equity represents the shareholders' original investments plus retained earnings.



Wages

Wages reflect both the ten years' growth in personnel and the increase in hourly rates.



*Every **\$1** a Customer Spends with us is used
as follows:*

82.5¢ For cost of goods — merchandise, transportation, miscellaneous expenses and handling costs other than wages.

10.7¢ For wages and other employee benefits, including social security, retirement income and group life, health and accident insurance.

2.1¢ For store rentals, real estate taxes, light, heat and other utilities.

1.6¢ For taxes — Federal and State.

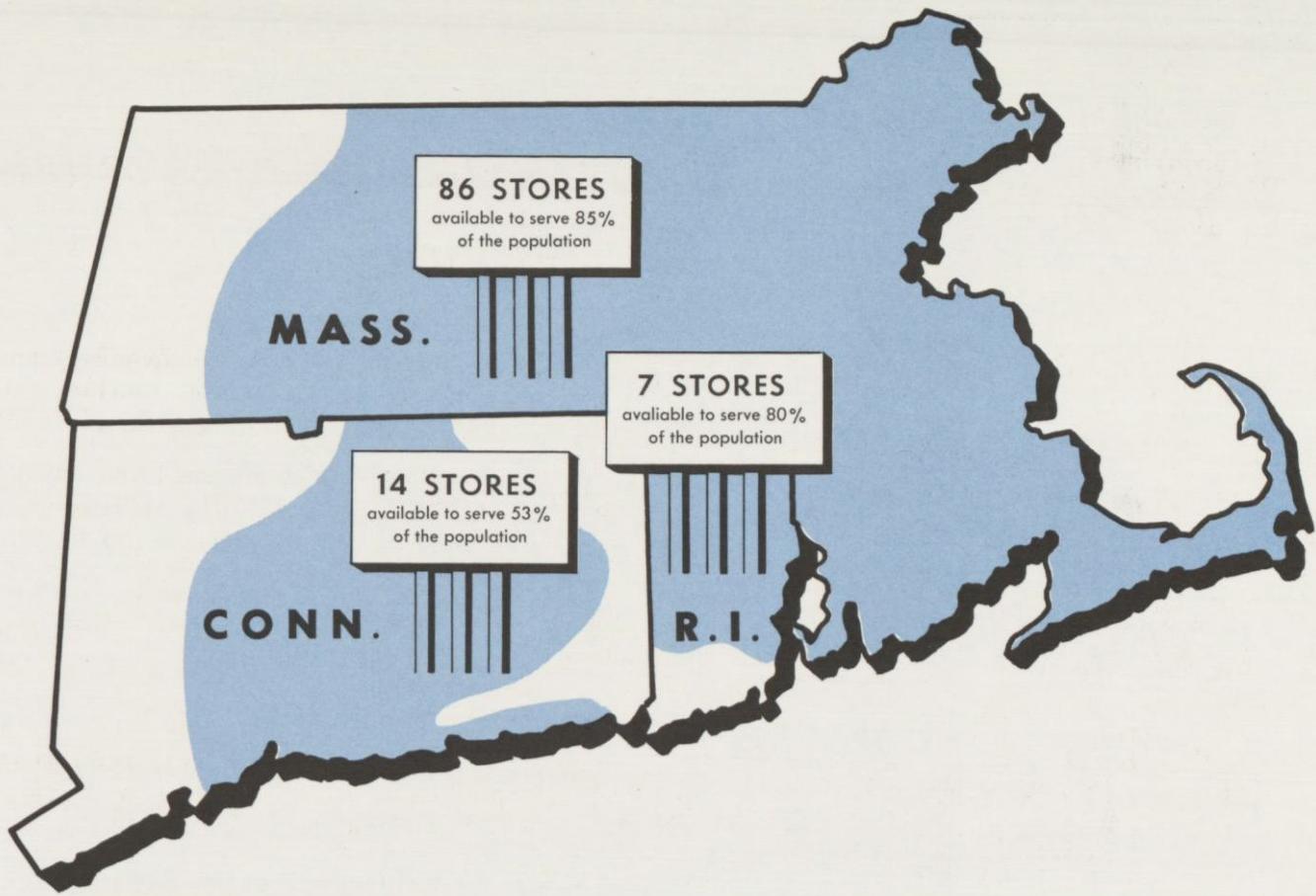
1.4¢ Set aside for wear and tear on equipment and buildings and spent for their maintenance and repair.

.3¢ To shareholders as cash dividends, exclusive of stock distribution.

1.4¢ To provide for Company growth by establishing new stores and facilities, modernizing others and for increased working capital.

The last two items together represent the net profit on each dollar of merchandise sold by Stop & Shop in the 1959 fiscal year.





More Stores to Serve More People

The map above graphically illustrates how Stop & Shop has been expanding into major population areas and is a dramatic indication of the continuing success of our planned pattern of growth for New England.

This is especially apparent in Connecticut and Rhode Island where a considerable percentage of our growth during the past year took place.

Less than three years ago we opened our first store in Rhode Island. We now have 7 supermarkets in this state, positioned to serve about 80 per cent of the population. This same pattern of expansion is apparent in Connecticut where our first modern supermarket was not opened until 1956. At the end of the 1959 fiscal year there were 14 stores in the Nutmeg State, in an area covering 53 per cent of the population. (And in the following two months, three additional supermarkets have been opened.)

In Massachusetts, as part of our long-range planning, we also expanded and strengthened our position during the year, so that on June 27, 1959 we had 86 stores serving an area embracing 85 per cent of the population.

Overall, of a total population of more than 8,000,000 in the three-state area of Massachusetts, Rhode Island and Connecticut, Stop & Shop supermarkets now serve an area with a population of more than 6,000,000.

These increases in stores opened, together with our increase in sales volume, make Stop & Shop one of the fastest growing food chains in the country.

We can take considerable pride not only in the extent of our expansion but in the manner in which we have been accepted by our new customers and friends in the areas we serve.

In this Annual Report we have set down some of the major reasons why such continued success is possible. Primarily, Stop & Shop offers customers a broad selection of good values. Behind this are such considerations as careful planning, the construction of important new service facilities including our warehouse and bakery, prudent financial policies, an aggressive program of advertising and promotion, and 6,576 employees working together efficiently and well.

The attractive setting and some of the plentiful parking space for our new Cranston supermarket — Stop & Shop's second in this Rhode Island community — are clearly shown in this photograph.

Store Program Accelerated



During the past fiscal year Stop & Shop reached and passed an important milestone — the opening of our 100th supermarket.

The Natick store shown on the opposite page is typical of our new stores in many ways. First of all, as our 100th supermarket it is a symbol of our consistent growth. Secondly, its clean architectural lines, roomy aisles and colorful displays of top-quality products are typical of the kind of stores we erect. And thirdly, the huge crowds it drew on opening day and the patronage it has enjoyed since are evidence of the good name we have earned through good performance.

Significantly, there was no pause in our pace with the opening of the store, and by the end of the fiscal year the Stop & Shop chain totalled 107 stores.

While each of our new stores has a distinct "personality" of its own achieved through interesting architectural treatment and design, every one of them is instantly recognizable as a Stop & Shop Supermarket.

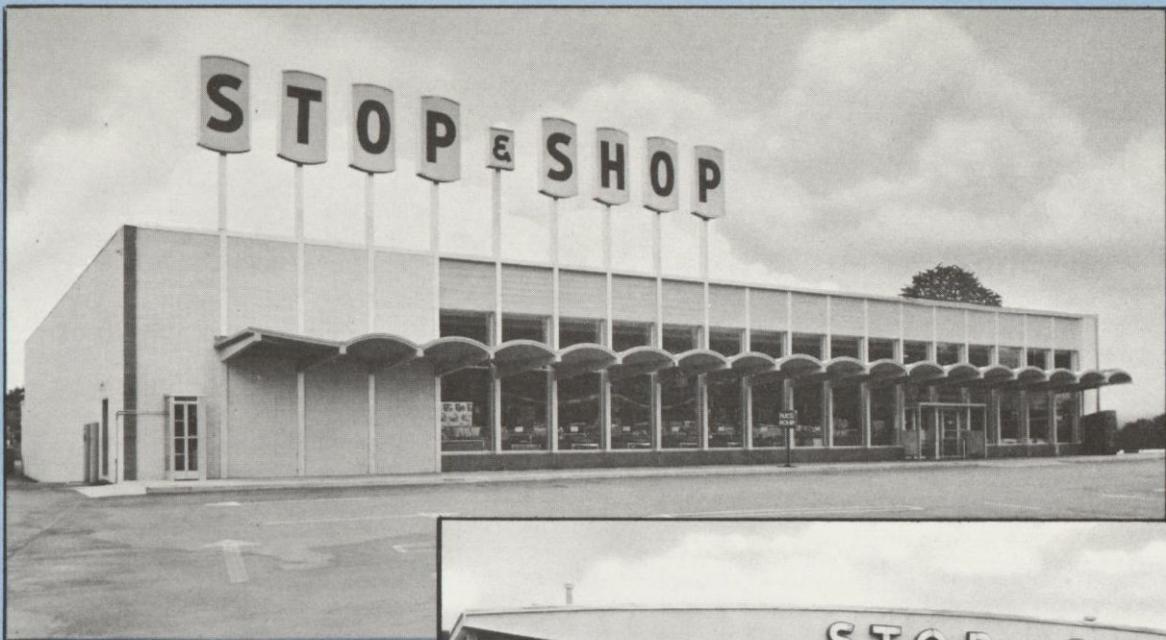
During the fiscal year, we opened 10 such new stores in three states: four in Massachusetts, three

in Connecticut and three in Rhode Island. In addition, we acquired 11 other stores, including the widely known Publix Markets in Greater Boston and the Food Basket Stores in the New Haven area.

The opening of 10 new stores and the acquisition of 11 others represents the greatest total number of supermarkets we have ever added in any one year. This progress has more than borne out the predictions of previous years that "the strength and enthusiasm of our people give us confidence that our Company will continue our successful growth pattern as planned."

This growth pattern includes not only an extension into new areas of large population but a consolidation of our strength in areas in which we already are firmly established.

Thus the combination of opening up new stores in Connecticut and Rhode Island, for example, and the acquisition of existing stores, such as Publix Markets and Food Baskets, enables us to become quickly established for further growth in important population centers.



Our new Quincy store was nominated for the Marlston Parker Medal as the most beautiful piece of architecture in the Greater Boston area. The Boston Society of Architects administers this award.

Filled to capacity with customers within minutes after its official opening on April 1, the Natick store was our 100th supermarket opened.



Opened Dec. 10, 1958, the Derby store serves the tri-town area of Ansonia, Shelton and Derby in Connecticut's Naugatuck Valley.

New Stores

Hamden, Conn.
Quincy, Mass.
Derby, Conn.
Warwick, R.I.
Natick, Mass.

New London, Conn.
Cranston, R.I.
Springfield, Mass.
Quincy, Mass.
Providence, R.I.

Acquisitions

PUBLIX	Waltham, Mass. (2)
	Malden, Mass.
	Somerville, Mass.
	Roslindale, Mass.
	Arlington, Mass.
FOOD BASKET	Branford, Conn.
	West Haven, Conn.
	East Haven, Conn.
	Cheshire, Conn.
RUGGIERI'S	Cranston, R.I.



AND ITS SUBSIDIARIES

CONSOLIDATED

JUNE 27

Assets

CURRENT ASSETS:

Cash	\$ 3,263,397
Receivable from mortgagees for construction costs covered by executed mortgage agreements	1,574,157
Accounts receivable, less allowance for doubtful accounts	1,160,569
Inventories, at the lower of cost or market	12,175,035
Prepaid expenses	405,700
Total current assets	<u>18,578,858</u>

FIXED ASSETS, at cost (excluding fully depreciated assets):

Land, buildings and improvements	30,487,797
Buildings and improvements on leased land	2,530,200
Fixtures, machinery and equipment	11,352,417
	<u>44,370,414</u>
Less accumulated depreciation and amortization	6,796,839
	<u>37,573,575</u>
Leasehold improvements, at cost, less accumulated amortization	1,668,040
	<u>39,241,615</u>

OTHER ASSETS:

Investments, at cost	335,093
Deferred charges	113,488
	<u>448,581</u>
	<u><u>\$58,269,054</u></u>

See accompanying notes to consolidated financial statements on page 13.

BALANCE SHEET

1959

Liabilities

CURRENT LIABILITIES:

Accounts payable	\$ 6,903,726
Accrued expenses	1,996,703
Federal taxes on income, estimated, less U. S. Treasury Tax Anticipation bills \$1,000,000	827,809
Current portion of long-term debt (note 2)	460,696
Total current liabilities	<u>10,188,934</u>

LONG-TERM DEBT: (note 2)

Mortgage notes payable	23,941,730
Other notes payable	5,549,241
	<u>29,490,971</u>

STOCKHOLDERS' EQUITY:

Capital stock of \$1 par value per share. Authorized 2,000,000 shares; outstanding 1,602,262 shares (note 1)	1,602,262
Capital in excess of par value of capital stock	5,525,296
Retained earnings, exclusive of amounts capitalized through stock dividends (note 2)	11,461,591
Total stockholders' equity	<u>18,589,149</u>
	<u><u>\$58,269,054</u></u>

Consolidated Statement of Earnings and Retained Earnings

Year ended June 27, 1959
with comparative figures for the year ended June 28, 1958

	1959	1958
Retail sales	\$194,003,143	\$170,614,362
Cost and expenses:		
Cost of sales, interest on mortgages, operating and administrative expenses	185,754,030	163,928,680
Depreciation and amortization	2,117,432	1,926,068
	<u>187,871,462</u>	<u>165,854,748</u>
	6,131,681	4,759,614
Other deductions:		
Interest on borrowings other than mortgages	266,486	211,185
Loss on disposal of fixed assets, net	5,697	143,612
	<u>272,183</u>	<u>354,797</u>
Earnings before Federal taxes on income	5,859,498	4,404,817
Federal taxes on income, estimated	2,611,679	1,758,880
Net earnings	3,247,819	2,645,937
Retained earnings at beginning of year	8,805,790	6,503,238
Amount arising from pooling of interests (note 1)	<u>12,053,609</u>	<u>9,149,175</u>
	12,053,609	932,127
Less dividends declared:		
Cash	592,018	465,962
4% stock dividend	<u> </u>	<u>809,550</u>
	592,018	1,275,512
Retained earnings at end of year	<u><u>\$ 11,461,591</u></u>	<u><u>\$ 8,805,790</u></u>

Certain of the 1958 figures have been restated to conform to the 1959 classification and, as explained in note 1, figures for both years include the Publix Markets and Food Basket chains.

See accompanying notes to consolidated financial statements on page 13.

Consolidated Statement of Capital in Excess of Par Value of Capital Stock

Year ended June 27, 1959

Balance at beginning of year	\$ 5,040,745
Add:	
Credit resulting from exchange of shares of Stop & Shop, Inc. for all of the capital stock of the several Food Basket companies (note 1)	350,645
Excess over par value of proceeds from sale of capital stock to employees under the stock option plans	431,821
	<u>5,823,211</u>
Less par value of 297,915 shares of capital stock issued as a stock split on the basis of one additional share for each four shares previously held	297,915
Balance at end of year	<u><u>\$ 5,525,296</u></u>

See accompanying notes to consolidated financial statements on page 13.

Notes to Consolidated Financial Statements June 27, 1959

NOTE 1: During the year ended June 27, 1959 all of the capital stock of the companies forming the Publix Markets and Food Basket chains was received in exchange for 98,073 shares of capital stock of Stop & Shop, Inc. These transactions have been recorded in the accompanying financial statements on the basis of the pooling-of-interests principle of accounting. Accordingly, the statement of earnings and retained earnings includes the results of operations of the Publix Markets and Food Basket chains for the full year ended June 27, 1959 with comparative figures for 1958. The retained earnings and capital accounts of these companies, after appropriate adjustment, have been carried forward.

Capital stock shown as outstanding in the accompanying balance sheet includes 4,333 shares to be issued in connection with the completion of the transactions described above.

NOTE 2: Long-term debt consists of the following obligations:

	Due Within One Year	Due After One Year
Mortgage notes, 3½-5½%, maturing over a maximum period of twenty years. Although not signed by the company or its subsidiaries, these notes are secured by land, buildings and improvements costing \$30,770,377, and by assignments of inter-company lease agreements	\$460,696	\$23,941,731
Equipment notes, 4½-5½%, secured by assignments of inter-company lease agreements covering equipment costing \$2,030,005, maturing over a maximum period of five years		900,240
Promissory notes, 3⅔%, payable \$250,000 annually and the balance of \$1,500,000 in 1971		4,000,000
Promissory notes, 4½%, due July, 1960		649,000
	<hr/> <hr/>	<hr/> <hr/>
	<hr/>	<hr/>

Aggregate annual maturities of mortgage notes outstanding becoming due after fiscal year 1960 will amount to an average of approximately \$1,600,000 a year through fiscal 1964, approximately \$1,500,000 a year from 1964 through 1971, and varying annual amounts from 1972 through 1979.

Current installments under the foregoing indebtedness have been prepaid as follows:

Mortgage notes	\$711,969
Equipment notes	293,085
Promissory notes, 3⅔%	250,000
Promissory notes, 4½%	<hr/>

\$1,255,054

The terms of the agreement relating to the unsecured promissory notes (3⅔%) contain restrictions on the payment of cash dividends and the purchase or retirement of the company's capital stock. Consolidated retained earnings not so restricted at June 27, 1959 amounted to approximately \$4,044,000.

NOTE 3: In accordance with the provisions of the Internal Revenue Code of 1954, the company and its subsidiaries have adopted accelerated methods of computing depreciation for ascertaining Federal income tax liability, but have continued to use the straight-line method for general accounting purposes. If the same amount of depreciation charged to earnings had been claimed for tax purposes, the provisions for Federal taxes for the fiscal years 1959 and 1958 would have been increased by \$151,000 and \$103,000 respectively.

NOTE 4: At June 27, 1959 there remained outstanding options granted to 26 officers and employees of the company to purchase 48,649 shares of the company's capital stock at prices ranging from \$13.68 to \$40.43 per share. These options are exercisable over various periods extending to March 10, 1966. In addition 11,510 shares of the company's capital stock were reserved for future option grants. All options have been granted to majority shareholders at 110% of market value on dates of granting, and at 95% in the cases of all other participants.

During the current year, options were granted to purchase 13,500 shares and options were exercised for 27,150 shares at granting prices ranging from \$13.68 to \$15.95 per share for a total consideration of \$458,971.46 as compared with the total value of \$1,020,119.75 based on quoted market prices on dates of exercise of the options. The number of shares and prices per share have been adjusted for stock dividends and stock splits.

NOTE 5: At June 27, 1959 the total minimum annual fixed rentals, exclusive of inter-company rentals, payable under leases expiring after three years, was approximately \$1,023,000, plus real estate taxes, insurance, etc., under certain leases. Leases covering about 75% of this amount expire on various dates within the next 15 years.

Commitments for completion of existing contracts for the construction and renovation of buildings not reflected in the financial statements at June 27, 1959 amounted to approximately \$2,150,000, all of which is covered by mortgage commitments.

PEAT, MARWICK, MITCHELL & CO.

ACCOUNTANTS AND AUDITORS
JOHN HANCOCK BUILDING
BOSTON 16, MASS.

The Stockholders
Stop & Shop, Inc.

We have examined the consolidated balance sheet of Stop & Shop, Inc. and its subsidiaries as of June 27, 1959 and the related consolidated statement of earnings and retained earnings for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

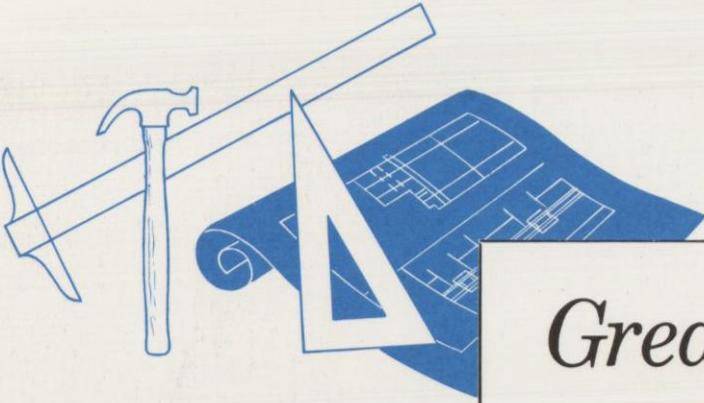
As we were engaged to examine the consolidated financial statements of Stop & Shop, Inc. in February, 1959 we were unable to observe the physical taking of inventories as of the beginning of the company's fiscal year. However, we applied other auditing procedures appropriate in the circumstances and we have no reason to believe that such inventories were not fairly stated.

In our opinion, the accompanying consolidated balance sheet and consolidated statement of earnings and retained earnings present fairly the financial position of Stop & Shop, Inc. and its subsidiaries at June 27, 1959 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat, Marwick, Mitchell & Co.

Boston, Mass.
September 3, 1959

*Accountants'
Report*



Greater Growth through

Construction of the new warehouse together with garage and powerhouse at our 72-acre tract on the Readville-Dedham line has been completed and is now being occupied. This Food Distribution Center, 10 miles from downtown Boston, has 478,000 square feet of space for the storage of over 5,000 dry grocery items. It also provides us with about 50% more storage space than was formerly available and room for future expansion.

Covering an area of 11 acres, the modern, single story building will enable us to handle more than double the tonnage of merchandise presently handled.

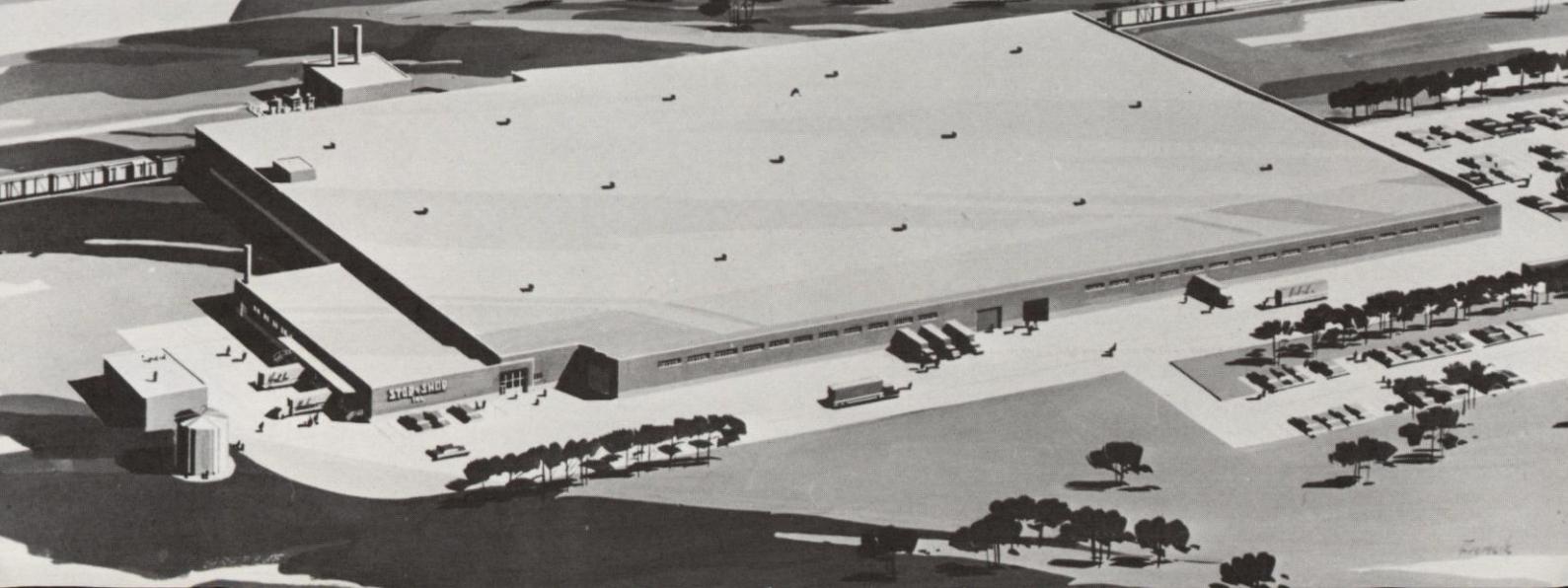
One of the largest warehouses of its type in the

East, it is large enough to accommodate 10 regulation football fields or a community of 40 average-size homes — each on a 10,000 square foot lot. The ceiling in the warehouse is 20 feet high, and all the space from floor to ceiling can be used for stacking groceries mechanically, in palletized loads, through the use of motorized fork lift trucks. To service the large automatic sprinkler system in the warehouse a special water reservoir, with a quarter of a million gallons capacity, has been constructed. The powerhouse could provide enough steam to heat over 300 homes.

Since the location is adjacent to railroad lines and new arterial highways, greater speed and

READVILLE Food Development and Distribution Center ... Another Step in the Master Plan

Our new Food Distribution Center with storage facilities for more than 5,000 dry grocery items.



Years Ahead Planning



Importance of the Readville project is stressed at ribbon-cutting ceremony by, left to right: Executive Vice President Irving W. Rabb; President Joseph Rabinovitz; Board Chairman Sidney R. Rabb; and Senior Vice President Norman S. Rabb.

A huge stretch of the nearly 500,000 square feet of warehousing space available at Readville can be seen in this progress photograph taken as roof work neared completion. The volume of merchandise which can be handled will be 5,000 tons per week, compared with 2,000 tons at the former warehouse.

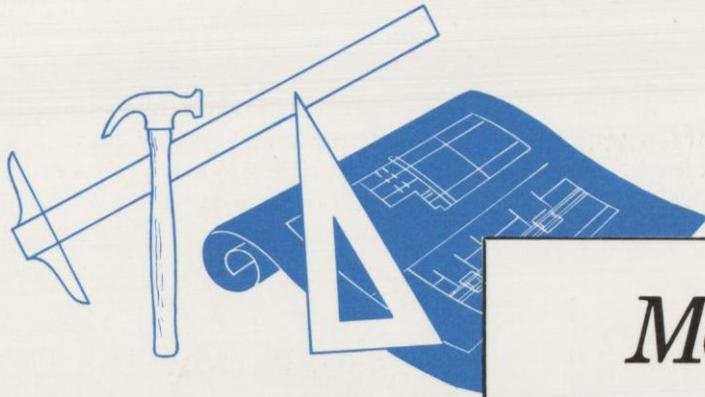
economy in our transport operations will result. All 107 of our stores in Massachusetts, Connecticut and Rhode Island will obtain dry grocery deliveries from one source instead of several, as in the past. In addition, the most modern processing methods and materials handling equipment will be used to assist maximum distribution efficiency.

On one side of the warehouse 71 completely enclosed truck loading docks are located. In the rear spur tracks are arranged to accommodate 19 freight cars for simultaneous unloading with space

for an additional 25 cars awaiting unloading. All working areas of the building are enclosed for employee and merchandise protection from inclement weather.

A separate section of the Center will accommodate our new coffee-roasting plant. Capable of roasting 32,000 pounds of coffee per day, this plant will enable us to double our present daily output.

Another new sign of Stop & Shop's growth, the Readville Center provides us with the most modern facilities in our industry and helps us meet the increasing demands of our customers.



More Growth . . . New

Now in operation, our fully automatic bread plant has a capacity of 7,200 loaves per hour — a guarantee of oven-fresh bread daily for our growing number of bakery customers at all Stop & Shop supermarkets. It is the only bread bakery in New England with a capacity this large.

Even in such a modern plant as this, however, Shop & Shop continues its search for newer techniques to maintain the high level of efficiency and productivity as volume increases. New methods and equipment are constantly under study. Meanwhile, we are continuing to experiment with new

items for the purpose of broadening our variety of bakery products.

With the assurance that this new bread plant can now satisfy the increasing demand for Stop & Shop quality breads, the facilities and space formerly used for bread making are now profitably at work in the making of high-grade specialties — cakes, pies, cookies — for which Stop & Shop is noted.

Famous for quality, freshness and flavor, Stop & Shop bakery products have won a legion of steady customers and are showing substantial increases in sales year after year.

NEW FULLY AUTOMATIC BREAD BAKERY

Left to right: George Harding, Director of Bakery Manufacturing; Lewis Furilla, Assistant Manager of Bakery Manufacturing; Joseph Farrell, Bread Supervisor; Edmund Schissel, Bakery Sales Manager; Thomas Purcell, Production Supervisor.





For Stop & Shop the new dairy plant and quality-control laboratory shown here will mark another tremendous step forward.

Facilities . . . New Plant



MODERN DAIRY PLANT and QUALITY CONTROL LABORATORY

During the fiscal year just ended, the first announcement was made of plans for construction during 1959-60 of a modern dairy plant and quality control laboratory at our 72-acre Distribution Development site in the Readville-Dedham area.

This very important new facility will be fully automatic and when finished will be the only one of its kind built within recent years in New England.

Of importance, too, is the fact that the new plant will be sanitized automatically — assuring milk of the highest possible purity.

This new plant is designed for all-refrigerated distribution of milk so that this vital product will be under controlled refrigerated conditions from the time it is processed until it gets into the con-

sumer's hands.

Included in the plant will be a new quality control laboratory with sufficient facilities to replace all the quality control work now performed in outside laboratories.

In addition to providing for the centralization of our quality control, the new facilities will permit us to undertake even more extensive work than is being done now in this field and in the development of new products for our stores.

The construction of this new unit (see drawing above), near our newly completed 11-acre Food Distribution Center, represents a major step in Stop & Shop's continuing effort to maintain the highest possible standards on all food products sold through our supermarkets.

Service to the Community

"Support the advancement of good citizenship and community progress in our areas."

Taken from our Stop & Shop Code, this pledge is carried out every year in a wide variety of ways, some of which are illustrated on this page.

The interest of Stop & Shop management in supporting community affairs goes well beyond

the ordinary concern of a company in being a "good neighbor." There is a deep feeling of responsibility and of the need to create our own opportunities to serve. Over the years this attitude has penetrated all levels of our organization and has led to the initiation of many original community projects.



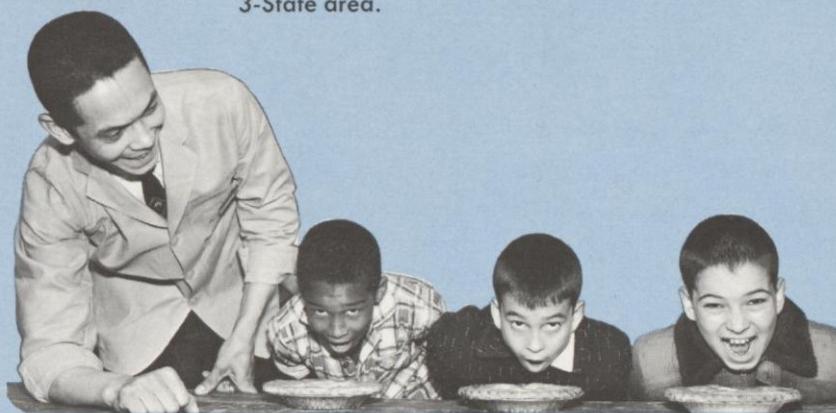
Class of nutritionists at Peter Bent Brigham Hospital, Boston, hear presentation on nutritional value of meat by Meat Training Supervisor Albert Bloom. Similar presentations are conducted regularly by Stop & Shop.



Warwick Store Manager Walter Makuch presents science volume to school and civic officials. Stop & Shop gave these volumes to 300 schools in our 3-State area.



Over 5,000 persons visited auto show for hot rod clubs held at our Salem parking lot. Police Chief praised Stop & Shop for aiding these clubs. Produce Manager Sam Rosenberg, Meat Manager Larry Moran and Store Manager John Torento examine the winning car.

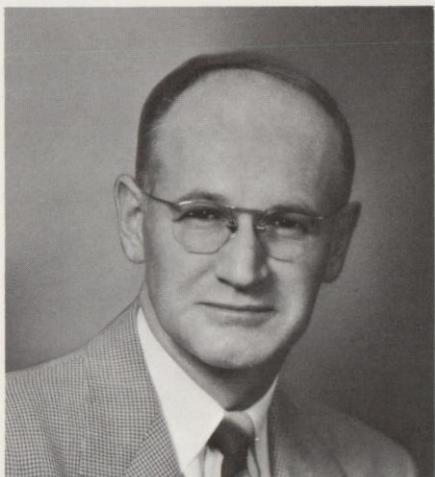


To encourage more use of playgrounds, local citizens' committees and Boston Park Dept. staged a South End Gala Day. Grocery Manager Ted Peters of our South End Store worked with the groups and also provided pies for the contest.



When more baseball diamond space for youngsters in Weymouth's Farm League was needed, land next to our store was made available and store employees helped build the field. Here Store Manager Al Allen throws out first ball.

A proud moment is caught here as our two winners of the National Association of Food Chains' scholarships, which include a year's special study at Cornell, are congratulated by Board Chairman Sidney R. Rabb. At left is Joseph Martin, Jr. from Hartford, and at right is Jerry McKiernan from Providence.



Edwin L. Carpenter, Store Manager, Hamden, Conn., is a member of the Board of Directors of Hamden Chamber of Commerce.



Bart Epstein, Manager of Property Acquisition, is active in town affairs in Weymouth, Mass. He is a Planning Board member.



Barney Finkle, Chelsea Store Manager, is Chairman of the Fund Raising Committee for Chelsea Memorial Hospital.



Frank Gardiner, an internal auditor, plays an active role in Junior Achievement Program serving as Business Advisor for Eastern Mass.



Avram Goldberg of our Real Estate Dept. was elected a Town Meeting Member in Massachusetts' largest town — Brookline.



William Merigan of the Personnel Department is serving as President of the Parent Teachers Association of North Abington.

People are our Most Important Asset

In an organization such as ours, with personnel located in cities and towns throughout a three-state area, it is to the credit of our employees that a "team" feeling — a sense of loyalty — exists and seems to grow stronger through the years.



Arthur Fiedler, Conductor, Boston "Pops" Orchestra presents Appreciation Certificate to Executive Vice President Irving W. Rabb for the Stop & Shop's sponsoring a Children's Concert at Hatch Memorial Shell.

For every Stop & Shop employee shown here, there are many more who, too, are showing the same initiative and responsibility on the job and in their community. It is appropriate then that this Report pay tribute to *all* our employees.



Morgan Memorial official, Howard A. Patterson, presents award to Senior Vice President Norman S. Rabb for Stop & Shop's role in providing clothing collection stations at key stores.



Herb Mickleson, Produce Manager at New Bedford store has served as Scoutmaster locally for 26 years.



Joyce Valente of our Milford store flashes the smile that helped her win the 4th annual Stop & Shop "Checker of the Year" Award.

THE STOP & SHOP CODE

We resolve that in our day-to-day relations with people we shall:

- Deal with each employee fairly and with respect for his human dignity.
- Provide good wages and working conditions and social benefits consistent with current practice in our industry and company earnings.
- Make every effort to insure security of employment.
- Develop employees in accordance with their natural capacities and afford opportunities for advancement based on merit.
- Provide safe and pleasant work environments.
- Conduct fair and just relations with representatives chosen by employee groups.
- Deal cheerfully with customers in providing good values in a wide choice of desirable merchandise.
- Support the advancement of good citizenship and community progress in our areas.
- Work for company growth and profit to insure a fair return to our shareholders.
- Be fair in our dealings with sources of supply and others who serve our company.